

Report To: Environment and Regeneration Committee **Date :** 25/10/2012

Report By: Corporate Director Environment,
Regeneration & Resources

Report No: R264/12/AF/AG

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Subject: Office and Depot Rationalisation Programme – Funding Model

1.0 PURPOSE

- 1.1 The purpose of this report is to seek approval from Committee on changes to the programme and for the latest funding model.

2.0 SUMMARY

- 2.1 The Regeneration Committee at its meeting of 21st September 2010 approved proposals for the Rationalisation of the Council's Office Accommodation.
- 2.2 More detailed work has taken place as projects have been developed and it is now proposed to make some amendments to the buildings being retained.
- 2.3 The Regeneration Committee at its meeting of 19th January 2012 approved the incorporation of depot facilities for the Building Services Unit within the Pottery Street Depot complex in lieu of refurbishment of the Devol Depot. The Environment and Regeneration Committee at its meeting of 30th August 2012 confirmed the purchase of the existing Municipal Recycling Facility building at Ingliston, in lieu of construction of a new MRF building at Pottery Street. No alterations to the previously agreed proposals are intended however the revised AMP funding model reflects the financial implications of previously agreed changes.
- 2.4 Officers have been exploring the use of an innovative funding mechanism which may provide cost savings to the Council. Investigations are on going and a specific report on this matter is intended to be presented to the November Policy & Resources Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee approve the alterations to the Office Rationalisation Programme as set out in Section 4.
- 3.2 It is recommended that Committee approve the revised cost of £4,030,000 for the Central Library Offices and confirm approval of delegated authority to the Head of Legal & Democratic Services to accept the most economically acceptable tender provided it is within the project budget.
- 3.3 It is recommended that Committee gives permission to go to tender for the Pottery Street Depot Civic amenity site and grant approval of delegated authority to the Head of Legal & Democratic Services to accept the most economically advantageous tender provided it is within the project budget.
- 3.4 It is recommended that Committee approve the costs of the Wallace Place Office and Library of £2,330,000 and of the Port Glasgow Hub Office of £820,000.

- 3.5 It is recommended that Committee note that a report on the future use of Gourrock Municipal buildings
- 3.6 It is recommended that Committee note that consideration is being given to using a funding mechanism which will reduce the Council's costs and if this proves viable a report will be put to the November Policy & Resources Committee.

Andrew Gerrard
Head of Property Assets and Facilities Management

4.0 BACKGROUND

4.1 At September 2010 when the proposals were approved the Council had 1014 occupied desks. It was proposed that by the end of the process of rationalisation 725 desks would be required. The proposals approved provided a notional 730 desks as detailed below.

• Greenock Municipal Buildings	350
• Port Glasgow Hub	20
• Gourock Municipal Buildings	40
• Wallace Place (also includes Library)	50
• Central Library	160
• Business Store	45
• 40 West Stewart Street	65
Total	730

4.2 As projects have been developed it has become apparent that there are some issues which require to be addressed. Principally these are as follows:-

- It was proposed that the Education Offices would be surplus to the Council's requirements. This was on the basis that the West Stewart Street Office would require significantly less capital investment and as both buildings provided similar desk accommodation retaining it would be better value. While this remains the case consideration must also be given to the future of the Education offices. This is a listed building and the Council would have difficulty disposing of it due to the onerous maintenance obligations. It is felt that to mothball the building with no clear future use for it would be storing up problems for the future and therefore it would be better to make use of it. This would mean that the West Stewart Street Office would be offered for sale or lease.
- Gourock Municipal Buildings has issues with disabled access which are not possible to resolve and therefore make it unsuited to be a Customer Centre. It is proposed that the small number of customer enquiries be dealt with by the the Gourock Library. Consideration is being given to how to make best use of the Gourock Municipal Buildings and a report will be submitted to a future meeting of the Committee.

4.3 If the changes detailed in 4.2 are approved, together with adjustments in desk numbers following more detailed design work, which includes increasing the efficiency of use of the Greenock Municipal Buildings the provision of desks would be as follows.

• Greenock Municipal Buildings	372
• Port Glasgow Hub	35
• Wallace Place (also includes Library)	50
• Central Library	160
• Business Store	45
• Education offices	70
Total	732

The proposed changes therefore have no impact on the overall number of desks provided.

5.0 PROJECTS

5.1 Central Library Offices

Tender documents are due to be issued shortly. A review of the costs of the detailed scheme indicates a total project cost of £4,030,000, an increase from the previously reported cost of £3,600,000. The revised cost is allowed for within the latest AMP funding Model. Permission to go to tender and approval for delegated authority to accept the lowest acceptable tender is requested.

5.2 Wallace Place

A stage C report has been produced, together with a Stage C cost. The cost is £2,230,000, an increase from the previously reported budget of £1,600,000. The reason for the significant increase is that the previous budget was an allowance prior to any design or investigation work taking place. The surveys which have now been carried out indicate significant issues with the building which require to be addressed as part of the refurbishment and the latest cost reflects this. It is intended to carry out this project as via a Business Premises Renovation Allowance scheme, which is a scheme which could potentially save the Council a significant sum of money based on an innovative funding route.

5.3 Port Glasgow Hub Office

Following investigation of several potential locations, a vacant shop in Port Glasgow has been identified as the preferred option. Riverside Inverclyde have agreed terms and will purchase the property to lease to the Council. It is proposed that the Ground Floor will accommodate CHCP staff, effectively replacing Newark House, plus a Customer Service desk. The upper floor will house a Training Centre, replacing the existing CHCP facility at Gourock Municipal Buildings and the ICT training facility in Greenock Municipal Buildings. The estimated cost of the work is £820,000. The allowance against this project was originally £200,000. This was however a notional budget as no premises had been identified and the scope of work was unknown. The AMP funding model can however accommodate the revised cost. It is intended to carry out this project as via a Business Premises Renovation Allowance scheme.

5.4 Pottery Street Depot

The Funding model has been revised to take account of the previously agreed changes which result in a saving of £500,000 in the cost of the Depot Rationalisation Programme. The next phase of the work is the Civic Amenity Site. The cost of this phase is £1,400,000 which is contained in the overall cost for the project. Permission to go to tender and approval for delegated authority to accept the lowest acceptable tender is requested.

6.0 ALTERNATIVE FUNDING MECHANISM

- 6.1 Officers are currently exploring an alternative funding mechanism which has the potential to significantly reduce the Council's Capital expenditure on Wallace Place Refurbishment and Port Glasgow Hub Office. If it is considered to be a viable option and in the council's best interest a report on this will be presented to the November meeting of the Policy and Resources Committee.

7.0 IMPLICATIONS

- 7.1 The cost implications of the Offices and Depots Refurbishment programme are contained within the Asset Management Planning Funding Model which is attached as Appendix 1.
- 7.2 Financial Implications - One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
AMP	Office Rationalisation	2010/11-2016/17	£15,630,000	N/A	All AMP Capital spend is funded via Prudential Borrowing, the Loan Charges
	Depot	2011/12-	£13,500,000	N/A	

	Refurbishment	2014/15			associated with this are included in the Annually Recurring Costs below.
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Financial Implications - Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments
AMP	Office Rationalisation	2017/18	£(274,000)	N/A	Figure represent ongoing revenue costs/ /savings based on available funding on completion of the programme, see below & Appendix one .
	Depot Refurbishment	2015/16	£23,000	N/A	

Note: The annual net impact highlighted above represents the ongoing revenue implications on completion of the programme, whilst the programme is ongoing there are short term savings while buildings remain closed offset by a number of one off costs, in addition the full Loan Charges implications do not impact until completion. This results in a reserve being built up over the period of £2.237m (Offices) and £1.090m (Depots). The full implications of this can be seen in Appendix 1.

8.0 CONSULTATION

- 8.1 The Chief Financial Officer has been consulted and is in agreement with the proposals and advises that based on the proposals within this paper it may be possible for a further saving to be identified from within the AMP funding model as part of the 2013/16 budget.
- 8.2 The Head of Organisational Development, HR and Communications has been consulted and is in agreement with the proposals.
- 8.3 The Head of Legal and Democratic Services has been consulted and is in agreement with the proposals.

9.0 BACKGROUND PAPERS

- 9.1 None

Revenue Implications Summary - Utilise William St and declare West Stewart St surplus to requirements

Earmarked Reserve Offices Capacity: 735	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
Earmarked Reserve b/fwd	0	852	1,181	1,437	1,487	1,624	1,745	1,963
Additional Funding	1,000	815	800	800	800	800	800	800
Contributions: Capital Fund Zero Waste Fund								
Available Savings/(Cost) Added *	0	(77)	(97)	(92)	207	349	385	445
Loan Charges	(11)	(64)	(185)	(421)	(795)	(953)	(967)	(971)
Further One Off Costs	(137)	(344)	(263)	(237)	(75)	(75)	0	0
Net Saving/(cost) for year	852	330	255	50	137	121	218	274
Earmarked Reserve c/fwd	852	1,181	1,437	1,487	1,624	1,745	1,963	2,237

Earmarked Reserve Depots	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
Earmarked Reserve b/fwd	0	155	310	673	1,177	1,159	1,136	1,113
Additional Funding	0	0	300	300	300	300	300	300
Contributions: Capital Fund Diversion of funding, formerly RI Zero Waste Fund		0	0	400	400	400	400	0
	200	200	200	200	200	200	200	400
Available Savings/(Cost) Added *	0	0	0	24	14	124	124	124
Loan Charges	0	(6)	(73)	(401)	(932)	(1,047)	(1,047)	(1,047)
Further One Off Costs	(45)	(39)	(64)	(19)	0	0	0	0
Net Saving/(cost) for year	155	155	363	504	(18)	(23)	(23)	(23)
Earmarked Reserve c/fwd	155	310	673	1,177	1,159	1,136	1,113	1,090

Earmarked Reserve Total	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
Earmarked Reserve b/fwd	0	1,007	1,492	2,110	2,664	2,783	2,881	3,076
Additional Funding	1,000	815	1,100	1,100	1,100	1,100	1,100	1,100
Contributions: Capital Fund Diversion of funding, formerly RI Zero Waste Fund		0	0	400	400	400	400	0
	0	0	0	0	0	0	0	400
	200	200	200	200	200	200	200	200
Available Savings/(Cost) Added *	0	(77)	(97)	(68)	221	473	509	569
Loan Charges	(11)	(70)	(258)	(823)	(1,727)	(2,000)	(2,014)	(2,018)
Further One Off Costs	(182)	(383)	(327)	(256)	(75)	(75)	0	0
Net Saving/(cost) for year	1,007	485	618	554	119	98	195	251
Earmarked Reserve c/fwd	1,007	1,492	2,110	2,664	2,783	2,881	3,076	3,327

Notes:

* Net Revenue Cost Excluding Loan Charges

** All receipts from disposal of surplus properties will contribute directly to the Capital Fund

Earmarked Reserve Offices	<u>2010/11</u> £000's	<u>2011/12</u> £000's	<u>2012/13</u> £000's	<u>2013/14</u> £000's	<u>2014/15</u> £000's	<u>2015/16</u> £000's	<u>2016/17</u> £000's	<u>2017/18</u> £000's
Capacity: 730								
Earmarked Reserve b/fwd	0	852	1,181	1,437	1,393	1,443	1,512	1,749
Additional Funding	1,000	815	800	800	800	800	800	800
Contributions: Capital Fund Zero Waste Fund								
Available Savings/(Cost) Added *	0	(77)	(97)	(184)	110	259	359	359
Loan Charges	(11)	(64)	(185)	(423)	(785)	(915)	(922)	(924)
Further One Off Costs	(137)	(344)	(263)	(237)	(75)	(75)	0	0
Net Saving/(cost) for year	852	330	255	(43)	50	69	237	235
Earmarked Reserve c/fwd	852	1,181	1,437	1,393	1,443	1,512	1,749	1,984

Earmarked Reserve Depots	<u>2010/11</u> £000's	<u>2011/12</u> £000's	<u>2012/13</u> £000's	<u>2013/14</u> £000's	<u>2014/15</u> £000's	<u>2015/16</u> £000's	<u>2016/17</u> £000's	<u>2017/18</u> £000's
Earmarked Reserve b/fwd	0	155	310	673	1,177	1,159	1,136	1,113
Additional Funding	0	0	300	300	300	300	300	300
Contributions: Capital Fund Diversion of funding, formerly RI Zero Waste Fund		0	0	400	400	400	400	0
	200	200	200	200	200	200	200	400
Available Savings/(Cost) Added *	0	0	0	24	14	124	124	124
Loan Charges	0	(6)	(73)	(401)	(932)	(1,047)	(1,047)	(1,047)
Further One Off Costs	(45)	(39)	(64)	(19)	0	0	0	0
Net Saving/(cost) for year	155	155	363	504	(18)	(23)	(23)	(23)
Earmarked Reserve c/fwd	155	310	673	1,177	1,159	1,136	1,113	1,090

Earmarked Reserve Total	<u>2010/11</u> £000's	<u>2011/12</u> £000's	<u>2012/13</u> £000's	<u>2013/14</u> £000's	<u>2014/15</u> £000's	<u>2015/16</u> £000's	<u>2016/17</u> £000's	<u>2017/18</u> £000's
Earmarked Reserve b/fwd	0	1,007	1,492	2,110	2,570	2,602	2,648	2,862
Additional Funding	1,000	815	1,100	1,100	1,100	1,100	1,100	1,100
Contributions: Capital Fund Diversion of funding, formerly RI Zero Waste Fund		0	0	400	400	400	400	0
	200	200	200	200	200	200	200	400
Available Savings/(Cost) Added *	0	(77)	(97)	(160)	124	383	483	483
Loan Charges	(11)	(70)	(258)	(824)	(1,717)	(1,962)	(1,969)	(1,971)
Further One Off Costs	(182)	(383)	(327)	(256)	(75)	(75)	0	0
Net Saving/(cost) for year	1,007	485	618	460	32	46	214	212
Earmarked Reserve c/fwd	1,007	1,492	2,110	2,570	2,602	2,648	2,862	3,074

Notes:

* Net Revenue Cost Excluding Loan Charges

** All receipts from disposal of surplus properties will contribute directly to the Capital Fund